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THE DEMAND AND PRICE SITUATION

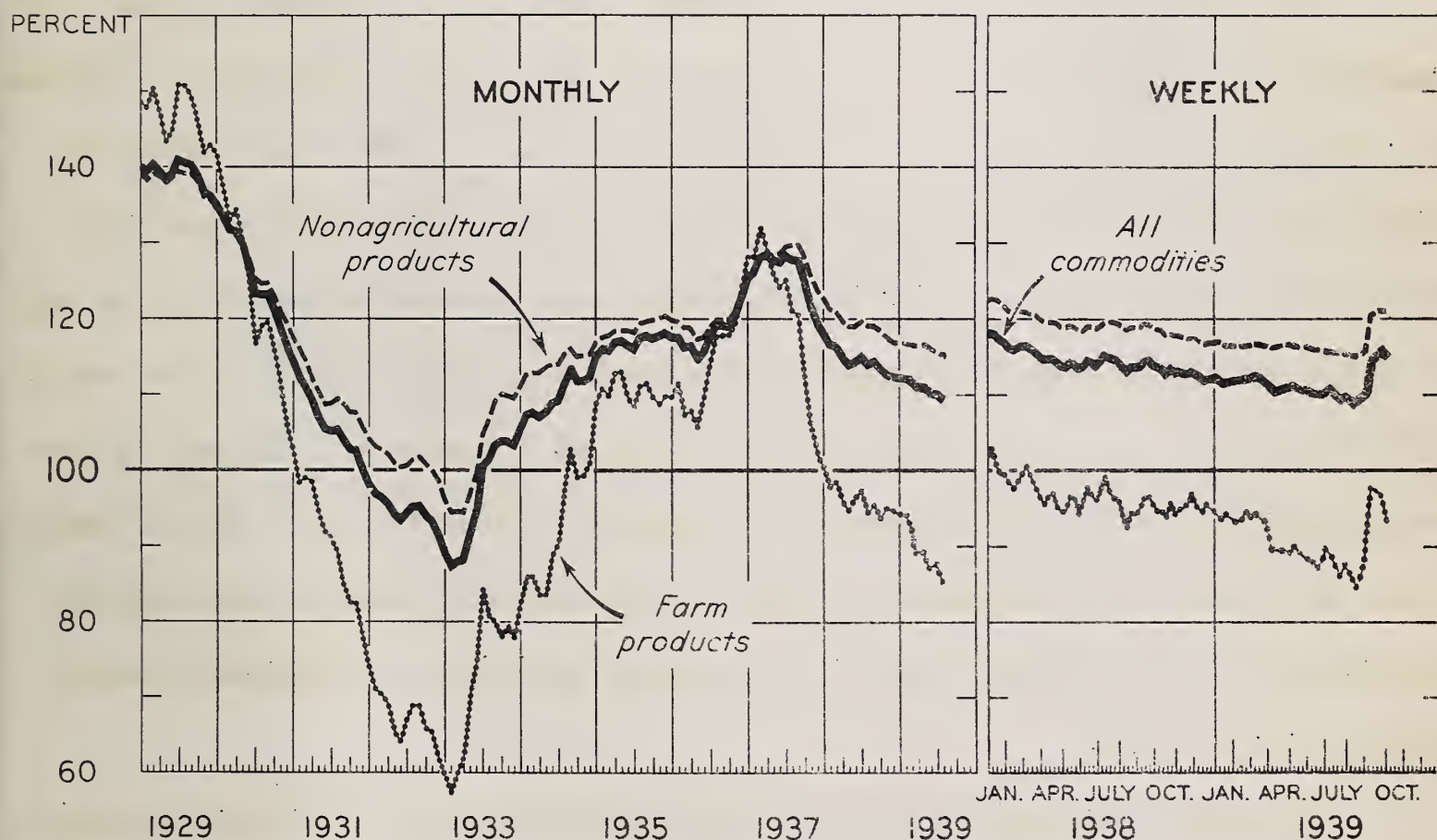
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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WHOLESALE PRICES OF FARM AND NONAGRICULTURAL PRODUCTS AND OF ALL COMMODITIES, 1929-39

INDEX NUMBERS (1910-14=100)



U. S. DEPARTMENT OF AGRICULTURE

NEG. 25638 BUREAU OF AGRICULTURAL ECONOMICS

THE DOWNWARD TREND OF WHOLESALE PRICES FROM EARLY 1937 TO AUGUST 1939 APPARENTLY HAS BEEN REVERSED AT LEAST FOR THE DURATION OF THE EUROPEAN WAR. SHARP ADVANCES IN SEPTEMBER WERE FOLLOWED BY SMALLER DECLINES, LEAVING PRICES WELL ABOVE THE AUGUST LEVEL. PRICES OF FARM PRODUCTS IN SEPTEMBER ROSE MORE THAN PRICES OF NON-AGRICULTURAL COMMODITIES.

SUMMARY

Conditions affecting the consumer demand for farm products continued to improve during the past month. A rate of industrial output approximating the June 1929 peak may be attained before the year ends, but consumer incomes will still be about 10 percent less, due partly to a lower price level, according to the Bureau of Agricultural Economics. Increases in foreign demand for farm products due to the war may be relatively slow in materializing.

The present sharp upswing of domestic industrial production no doubt is resulting in an accumulation of inventories in many lines. This may be followed by a considerable slowing down of industrial production some time during the first half of 1940. The timing and severity of this period of readjustment will depend partly upon how far the inventory accumulation is carried, the way in which actual domestic consumption and export demand develop, and how nearly the readjustment periods in the several important industries coincide. A recession growing out of these conditions probably will not accumulate sufficient force to offset other favorable factors in the situation and prevent further improvement in the general level of industrial activity and consumer incomes during most of 1940.

The chief uncertainty in the export demand situation for farm products, is the extent to which normal shipping operations will be disrupted by the blockades of the belligerent nations. Developments in these respects still are highly uncertain. In any event increases in export demand for United States farm products as a result of the present European war are likely to be held to smaller proportions than during the World War, and may be considerably delayed while the belligerent nations are organizing their purchasing activities.

Although there is good reason to believe that the downward trend of wholesale prices has been reversed, large supplies of many farm commodities and the generally ample industrial capacity indicate that further gains in the general level of wholesale prices will have to await actual increases in export demand and domestic utilization. Despite recent increases, wholesale prices of many farm products are still about 3 percent below lower relative to prices of nonagricultural products than a year earlier. The price increases have resulted in raising preliminary estimates of farm income for 1939 made last summer.

Summary of the situation by commodities:

- Wheat:** Domestic wheat prices have declined since the middle of September largely as a result of slow domestic and foreign demand. Prices on October 9 declined to around loan values, but since that time increased mill buying, small market receipts and continued drought in winter wheat areas have again brought prices above loan values.
- Cotton:** Domestic cotton prices have fluctuated within a comparatively narrow range during the past 4 weeks. Domestic mill activity now is at exceptionally high levels and is expected to continue so for some time. Exports from August 1 to date are about one-third larger than the small exports of a year earlier. The indicated world supply of cotton is still at a near-record level.
- Feed grains:** Supplies of feed grains per animal are above average, but lower than a year ago, with prices during the first week of October slightly higher than a year ago. The loan rate on 1939 corn has not yet been announced, but present indications are that it will be near the 1938 rate.
- Hogs:** Prices of hogs declined almost steadily from mid-September to early October, losing practically all of the sharp advance that occurred during the first week of September. A seasonal increase in hog marketings is now under way, and supplies are expected to be larger than a year earlier throughout the present marketing year, which began October 1.

- Lambs: Prices of slaughter lambs declined after the rise in the first week of September, but in early October they were somewhat higher than the low level reached about mid-August. Prices of feeder lambs rose sharply in early September, and have risen a little further since that time. The number of feeder lambs shipped into the Corn Belt in July and August was much larger than in the corresponding months of 1938.
- Cattle: Prices of slaughter cattle declined unevenly after the sharp advance in early September, but in the first week of October were somewhat above the low level reached in mid-August. Marketings of grain-fed cattle probably will continue larger than a year earlier during the next few months. The movement of stocker and feeder cattle into the Corn Belt in the past 3 months has been considerably larger than last year.
- Wool: Domestic wool prices weakened slightly in early October, after advancing 50 percent during September due chiefly to war conditions. Domestic mill consumption is expected to continue large, and wool imports will increase considerably before the 1940 clip becomes available.
- Butter: Butter prices, after rising sharply in early September, have since leveled off. The improvement in business conditions and consumer incomes and the decline in butter stocks has improved the price outlook.
- Poultry,
Eggs: Supplies of poultry and eggs are expected to continue larger this fall and winter than last. During the remainder of 1939 the effect of these larger supplies on prices will be partly offset by larger consumer incomes. By 1940, however, the effect of increased consumer incomes on prices may more than offset the effect of larger supplies as compared with a year earlier.
- Vegetables,
Fruits: During September market prices of apples and pears declined, but citrus prices advanced, largely reflecting seasonal factors. Prices of truck crops advanced seasonally in September, and in early October were generally higher than a year earlier.

DOMESTIC DEMAND

Improvement in conditions affecting the domestic demand for farm products was considerably greater in September than the moderate gains in the June to August period. The war in Europe was an important factor, but

considerable improvement no doubt would have occurred even if war had not been declared. Additional increases in industrial production are expected during the remainder of 1939 as the large orders now on hand for such products as steel, railway equipment and textiles are filled, and automobile dealers stock up on 1940 models. A rate of industrial output approximating the June 1929 peak may be attained before the year ends, but consumer incomes will still be about 10 percent less, due partly to a lower price level.

The recent gain in industrial production no doubt is resulting in an accumulation of inventories in many lines. Eventually a closer balance between production and consumption will have to be reestablished. This probably will come about in part through increases in actual consumption and exports, as domestic purchasing power is increased and foreign countries are able to reorient their buying under war conditions. It is probable, however, that these increases will not be sufficiently early and large to prevent a considerable slowing down of industrial production some time during the first half of 1940. The timing and severity of this period of readjustment will depend not only upon how rapidly domestic consumer demand increases and how soon the expected increase in export demand actually develops, but also upon how far inventory accumulation is carried, the course of commodity prices, and how nearly the readjustment periods in the several important industries coincide.

It is possible, but not probable, that a recession growing out of these conditions might accumulate sufficient force to offset other favorable factors in the situation, and prevent further improvement in the general level of industrial activity and consumer incomes during most of 1940. Conditions next year, however, will be different in several important respects from those prevailing at other times, such as the fall of 1937, when inventory adjustments precipitated prolonged and severe recessions.

Continuation of the European war eventually would result in increased demand for United States industrial products. The extent to which exports will increase, of course, is clouded by many uncertainties. Exports increased considerably during the first calendar year of the World War, but the greater preparation of the belligerents in advance of the present war, rigid governmental controls of imports and prices now being exercised, and other factors make it difficult to appraise the 1940 export prospects on the basis of conditions existing in 1915. Increased exports of some products to the belligerent nations may be offset at first by losses of other export outlets and decreases in European consumption of non-essential commodities. It will require a period of time for the warring nations to organize their buying activities, but some time in 1940 their purchases in this country should increase materially because of expanded needs for war materials and decreased man power available for the production of industrial goods of other types. Some increase in demand from neutral nations already is occurring as foreign sources of supply are cut off, and this movement is expected to continue.

Aside from the inventory situation associated with the sharp upswing in the last half of 1939, most domestic conditions also favor the eventual continuation of the business improvement which is occurring this year. The

reversal in the trend of commodity prices will make for less cautious buying and investment policies by business men, and the improvement in consumer buying power resulting from the present uptrend will increase consumer purchases of many products.

Usually there is a considerable lag between changes in industrial activity and in the incomes of consumers. Any additional increases in industrial activity in this country should be reflected more fully in the domestic consumer demand for farm products than have increases occurring during the past year.

FOREIGN DEMAND

The situation with respect to export demand for farm products still is much confused by uncertainties connected with the war in Europe. Some of these will be clarified in the next few months, when a better appraisal of foreign demand prospects can be made.

The chief uncertainty is the extent to which normal shipping operations and routes will be disrupted by the blockades of the belligerent nations. If Great Britain and France are able to continue buying wheat, beef, butter, cotton and other farm products from their dominions and other countries in the Southern Hemisphere, the possible beneficial effects of the war upon the export demand for United States agricultural commodities will be greatly reduced, whereas most of the adverse effects will remain. On the other hand, if the efforts of Germany to interfere with the commerce of its opponents are as successful as some observers have predicted, the United States as well as Canada will have a distinct advantage. Even though actual shipping losses are held to a minimum, if Great Britain and France find it necessary to give protection to all shipping lanes by the convoy system, the shortage of naval vessels for this purpose and the great expense incident to such convoys will give a large relative advantage to North American countries in supplying food-stuffs to these warring nations. Developments in these respects still are highly uncertain, particularly since the use of airplanes in raids on commercial shipping has not yet been fully tested.

In any event, increases in export demand for United States farm products as a result of the present European war are likely to be held to smaller proportions than during the World War by: (1) increased competition from other producing areas developed during the past 25 years; (2) larger existing world supplies of some commodities than in 1914; (3) more rigid governmental controls over imports, consumption and prices than the belligerents exercised early in the World War; (4) greater ocean shipping facilities now available and the earlier introduction of the convoy system for protection of commercial shipping.

Increases in export demand for United States farm products as a result of the war may be considerably delayed while the belligerents are organizing purchasing organizations, looking to other countries for immediate purchases, and using up part of the stocks now on hand. For example, Great Britain is

likely to obtain its wheat mainly from Canada during the next few months, at least, and apparently will draw on existing stocks of tobacco for the present. Cotton and other products will be obtained as far as possible from Empire sources in order to conserve foreign exchange for the purchase of necessary industrial war materials.

WHOLESALE PRICES

Wholesale markets were in a particularly favorable position to respond to the increase in buying which followed the outbreak of war in Europe. Though industrial production had increased one-third between May 1938 and August 1939, wholesale prices had continued to drift lower. Industrial raw material prices had participated in the decline along with most of the other groups. Ordinarily, raw material prices advance early in periods of industrial recovery and processed goods prices respond later. Thus a reaction from the downward drift in prices was overdue when the European war broke out, and the rush of buyers to place orders (ahead of the major advance which was expected eventually to result from the war) brought sharp gains in wholesale prices of most groups of commodities.

The major portion of the advance in wholesale prices occurred in the first 10 days of the war. Advances were sharpest in the farm and related groups such as foods, hides and leather, and textiles. Since the middle of September there has been little change in the general level of wholesale prices, though further gains have been recorded in copper, scrap steel, hides and leather, textiles and some others. Farm and food products have declined from September peaks. Some commodities may experience further declines as expectations are adjusted to meet actual developments.

Though there is good reason to believe that the downward trend of wholesale prices has been reversed, large supplies of many farm commodities and the generally ample industrial capacity indicate that further gains in the general level of wholesale prices will have to await actual increases in export demand and domestic utilization. For most farm products any improvement in demand will be mainly from improvement in the domestic situation, but for many industrial products export demand also will be important. The demand for some products will be adversely affected by the war.

Wholesale prices of farm commodities advanced 10 percent more than non-agricultural commodity prices from mid-August to mid-September, and up to the week ending October 7 had retained about 50 percent of their relative gain. At the latter date, however, wholesale prices of farm products were still about 3 percent lower relative to prices of nonagricultural products than a year earlier.

Wholesale prices in foreign countries are coming more and more under the influence of Governmental controls and therefore do not reflect in the usual way changes in world supply and demand conditions. The composite index of wholesale prices for nine foreign countries (which ordinarily take about four-fifths of our farm commodity exports) remained in August, for the fourth

consecutive month, at 87 percent of the 1924-29 average. A year earlier this index was one point lower. Data are not yet available to show the effect of war on wholesale prices in September, but some rise probably occurred despite the rigid foreign Governmental controls and the fixing by Great Britain of maximum prices on a number of products at about the levels prevailing shortly before the outbreak of hostilities.

PRICES RECEIVED AND PAID BY FARMERS

Price changes for farm products in central markets from mid-September to mid-October indicate that there was probably a decline in the index of prices received by farmers to about the October 1938 level. The most important farm products, excepting dairy and poultry products, declined somewhat from September to October, the most substantial losses occurring in corn and hog prices with more moderate recessions for wheat, cotton and beef cattle.

The general level of prices received by farmers in mid-September was 98 percent of the pre-war average - a gain of 10 points from August. The advance in farm prices from August to September was common to all important farm commodities excepting tobacco and some fruits, and was associated with the rapid price advances in wholesale markets which followed the outbreak of war in Europe. The September advance resulted in carrying the general index of prices received by farmers above the corresponding month of the preceding year for the first time since July 1937.

From August to September prices paid by farmers for commodities used in production and living increased from 119 to 122 percent of the 1910-14 average. This increase, however, was considerably less than that in prices received by farmers so that the ratio of prices received to prices paid increased to 80 percent of the pre-war average. This ratio had not been exceeded since January 1938. There apparently was little if any change in the general level of prices paid by farmers between September and October so that the ratio (of prices received to prices paid) probably declined about half as much as it had advanced in the previous month.

Farm Income

Farm income increased considerably more than seasonally in September and was materially higher than in September 1938. With the exception of July 1938, the seasonally adjusted index of farm marketings was the highest since October 1937. Although farm prices have declined somewhat from mid-September to mid-October, it is likely that farm income will make about the usual seasonal change from September to October as marketings of tobacco are expected to be unusually large, following the reopening of the markets.

Income from nearly all commodities in September, except tobacco, was larger than a year earlier. The marked advance in prices of grains was accompanied by some increase in marketings and income increased substantially over a year earlier. Higher prices for cotton and cottonseed resulted in

increased income as compared with a year ago. Larger income was received from vegetables, due largely to the higher level of potato prices. Income from fruits was only slightly larger than in September last year. Tobacco income was less than one-third of a year ago as all the principal markets closed early in September and did not reopen until October 10.

Income from meat animals was slightly larger than in September 1938, with all species except hogs showing increased income. Income from chickens was higher than in 1938 but income from eggs was slightly lower. Income from fluid milk in September was slightly higher than a year earlier but the marked reduction in production of butterfat because of the drought in mid-western States resulted in some decline in income from butterfat.

Prices of many farm products declined from mid-September to mid-October so that the general level of farm prices was about the same as a year earlier. However, marketings of cotton, tobacco, fruits, meat animals, and chickens and eggs are expected to be somewhat larger than a year earlier so that farm income will probably make about the usual seasonal change from September to October and be somewhat higher than in October 1938.

COTTON

Domestic cotton prices have fluctuated within a comparatively narrow range during the past 4 weeks, at a level about $\frac{1}{4}$ cent above prices as of about the first of September. Domestic mill activity has trended upward and is now at exceptionally high levels and is expected to continue so for some time. Exports from August 1 to date are about one-third larger than the small exports of a year earlier. The indicated world supply has been reduced slightly during the past month, but is still at a near-record level.

During the third week of September, domestic cotton prices were considerably below those reached shortly after the outbreak of the European war. Since then, Middling 7/8 inch cotton in the 10 markets has, for the most part, remained around 8-3/4 cents. This was about $\frac{1}{4}$ cent above the price for September 2 and 1/5 cent above the October 1938 average.

Exports from August 1 to October 10 totaled 1,046,000 bales compared with 776,000 bales in the corresponding period last season. Sales and deliveries of cotton for export as registered with the Department of Agriculture for export payments up to October 10 amounted to 2,624,000 bales, an increase of about \$789,000 bales over those to September 18. Between September 18 and October 10 actual exports totaled about 516,000 bales compared with 339,000 bales for the corresponding period last year.

Domestic manufacturers' sales of cotton textiles during the 4 weeks ended October 13 were probably somewhat below production following the exceptionally large sales during the first two weeks of September. Trade reports indicate that unfilled orders are very large. Mill activity has recently trended upward and seems likely to continue at a high level during the months immediately ahead.

English cotton mills are apparently running at a high rate and have sufficient orders to justify a continued high level of production for many weeks. The available information from continental Europe indicates there was comparatively little change in mill activity on the whole during the past several weeks. Cotton consumption in Germany and possibly France, however, may soon be adversely affected by war developments.

The indicated total world supply for the current season was recently reduced somewhat by the reduction of nearly 500,000 bales in the October estimate of the 1939 United States crop. It is still, however, only a little less than the near-record supply of 50,400,000 bales in 1938-39. The indicated world supply of American cotton is now a little less than 26,000,000 running bales, second only to the record 1932-33 supply of 26,200,000 bales and nearly 4 million bales larger than the average for the 10 years 1928-37.

WHEAT

Domestic wheat prices have declined since the middle of September largely as the result of slow domestic and foreign demand. Prices on October 9 declined to around loan values, but since that time increased mill buying, small market receipts and continued drought in winter wheat areas have again brought prices above loan values. The price of No. 2 Hard Winter wheat at Chicago on October 11 was $85\frac{1}{2}$ cents per bushel compared with 89 cents on September 15 and the loan value of 80 cents, while the same grade at Kansas City on October 11 was 82 cents compared with $86\frac{1}{2}$ cents on September 15 and the loan of 77 cents.

A total wheat crop in the United States of 739.4 million bushels is now indicated. The present indication includes a 3.3 million bushel increase in spring wheat production as of October 1 compared with September 1. The August indicated winter wheat production of 550.7 million bushels was unchanged. Total production of 739 million bushels is 52 million bushels larger than the 10-year (1929-38) average disappearance of 687 million bushels.

Prospective world wheat supplies 1/ for the year beginning July 1, 1939 are now indicated to be about 270 million bushels more than a year ago. Increases in carry-over stocks July 1, 1939 more than offset the decreases in production. World stocks of old wheat on July 1 were estimated at about 1,200 million bushels, or about 600 million bushels more than a year earlier. World wheat production is now estimated at about 4,260 million bushels, or about 330 million bushels less than in 1938. The crop in the Northern Hemisphere is estimated to be about 3,786 million bushels, which is about 230 million bushels less than the harvest of 1938. On the basis of weather conditions to date a reduction of about 100 million bushels is indicated for the Southern Hemisphere countries.

FLAXSEED

Domestic flaxseed prices advanced about 35 cents per bushel during September, and for the week ended October 7 the price of No. 1 flaxseed at

1/ World and Northern Hemisphere supply figures are exclusive of the U.S.S.R. and China.

Minneapolis was \$1.91 per bushel, or about 6 cents higher than for the corresponding week last year. During the week ended October 7 the average price at Buenos Aires was \$1.31 per bushel, making a margin of 60 cents, which was somewhat wider than just prior to the outbreak of war, and compares with a margin of 76 cents for the corresponding week last year.

The 1939-40 domestic supply of flaxseed is 19.7 million bushels compared with 10.4 million bushels for each of the past 2 years, and 24.6 million bushels for the period 1926-30. World supplies of flaxseed for the remainder of 1939 are estimated to be about the same as a year earlier. Present indications are, however, that world supplies of flaxseed available later in the domestic marketing year may be somewhat larger than during the 1938-39 marketing year. The Argentine crop to be harvested beginning December is expected to be somewhat larger than a year earlier.

The outlook for demand during the remainder of the 1939-40 marketing year is uncertain because of the war. The domestic demand may not be greatly different from that of last year, but foreign demand may decline during the coming year, since building activity in Europe may be decreased as a result of the war. In the latter event, Argentine flaxseed probably will be more highly competitive in the domestic market.

CORN AND OTHER FEED GRAINS

Much of the gain in corn and oats prices during the first week of September had been lost by the end of the month. For the week ended October 7 the average price of No. 3 Yellow corn at Chicago was 49 cents, only 4 cents per bushel higher than for the week ended August 26. The price of No. 3 White oats at Chicago was 2 cents per bushel higher. On the other hand, much of the gain in barley prices was retained in October. The price of each of these grains was higher than for the corresponding week of 1938. Prices of these grains now appear to be near the level that would be expected from present domestic supply and demand relationships. The price of corn during the coming winter will probably again be given some support by the corn loan program. While no announcement has yet been made in regard to the loan rate on 1939 corn, but present indications are that it will be near the 1938 rate.

The total October 1 supply of feed grains, including sealed corn, amounts to about 108 million tons compared with 104 million tons last year and 101 million tons for the period 1928-32. These supply figures include October 1 stocks of corn and oats, plus the October 1 indicated production of corn, barley, and grain sorghums. The total supply per grain consuming animal unit is about 4 percent smaller than a year ago, but about 8 percent larger than the 1928-32 average.

The total supply of corn, including corn sealed for 1939-40, is estimated to be 3,093 million bushels compared with 2,905 million bushels last year, and 2,718 million bushels for the 1928-32 average. The supply of corn in 1938-39 not under seal totaled 2,647 million bushels. The quantity of

1939 corn sealed is expected to be about as large as the quantity of 1938 corn sealed, in which case the total supply of corn, exclusive of sealed corn or corn held by the Government, will be about the same as the supply of unsealed corn in 1938-39.

Corn exports have shown some increase during recent weeks, but they are still much smaller than at this time a year ago. The total quantity exported for the 1938-39 marketing year amounted to about 34 million bushels.

HOGS

Seasonal increases in the marketings of hogs are expected during the next few months as the market movement of new-crop hogs gets under way in volume. Slaughter supplies during the first quarter (October-December) of the 1939-40 marketing year, as well as during the other quarters of the year, will be materially larger than a year earlier. Domestic consumer demand for hog products in 1939-40 is expected to be stronger than in 1938-39.

The trend in hog prices during the last half of September and for 2 days in October was steadily downward. On October 3 the average price of good and choice 220-240 pound butcher hogs at Chicago was about \$6.90. This was only a few cents higher than the average for the last week in August, or just before the September advance occurred. Since October 3, hog prices have strengthened slightly. The average price of butcher hogs at Chicago for the week ended October 7 was \$6.95 compared with \$8.30 for the first week of September and \$8.45 a year earlier.

Federally inspected slaughter of hogs during September totaled 2,885,000 head, which was about 100,000 head larger than in either July or August and 214,000 head larger than in September last year. Ordinarily slaughter in September is smaller than in any other month, but the market movement of new-crop hogs in the past 2 years apparently has gotten under way earlier than usual.

Federally inspected slaughter of hogs during the 1938-39 marketing year, which ended September 30, totaled 39.7 million head. This was about 5.1 million head, or 15 percent, larger than the 1937-38 figure and was the largest inspected slaughter for any marketing year since 1933-34.

BEEF CATTLE

Marketings of cows and heifers during the remainder of 1939 are likely to be smaller than a year earlier because of the tendency to hold back breeding stock, but the supply of grain-fed cattle from the Corn Belt is expected to continue larger than in the corresponding period of 1938. Some improvement in consumer demand for beef and veal is expected during the next few months.

Shipments of stocker and feeder cattle during the late summer and early fall have been considerably larger than a year earlier because of prospective feed shortage in much of the range area and the strong demand

for feeder cattle in the Corn Belt. Market records indicate that the proportion of feeder shipments weighing over 800 pounds has been larger in recent months than a year earlier. Thus, it seems probable that a larger proportion of the cattle fed in the 1939-40 feeding season will be marketed during the winter months than was the case in the 1938-39 season. The increase in the market supply of fed cattle over a year earlier, therefore, may be relatively the greatest during the winter months.

Prices of all grades of cattle tended unevenly downward during the last 3 weeks of September and in the first week of October, but in early October they were around 50 cents to \$1.00 above the low level reached in mid-August. Some widening in the spread between prices of the upper and lower grades of slaughter steers accompanied the sharp rise in cattle prices in early September, and this spread has remained about constant since that time. The average price of good grade slaughter steers at Chicago for the week ended October 7 was about \$9.70 compared with \$10.50 for the first week in September and \$10.10 for the corresponding week a year earlier. Prices of stocker and feeder steers have declined less than prices of slaughter steers since the rise in early September. At Kansas City the average price of stocker and feeder steers was about \$7.90 during the first week of October, which was about 15 cents under the average for the first week of September. In the first week of October 1938 the average price was about \$7.50.

Marketings of cattle increased seasonally in September. The total number of cattle slaughtered under Federal inspection during the month was 830,000 head compared with 823,000 head in August and 917,000 head in September 1938. Inspected calf slaughter in September totaled 427,000 head, which was about 13,000 head larger than in August but 25,000 head smaller than a year earlier.

SHEEP AND LAMBS

Slaughter supplies of lambs may continue smaller than a year earlier during the remaining 2 months (October and November) of the spring-lamb marketing season. But because of the unusually large number of feeder lambs shipped to the Corn Belt during the late summer and early fall of this year, total marketings of fed lambs after November probably will be larger than a year earlier. The increase in shipments from the Corn Belt, however, will be partly offset by some reduction in marketings from western feeding areas, where feed supplies are short.

Marketings of sheep and lambs increased seasonally during September. Total federally inspected slaughter for the month was 1,635,000 head, which was about 178,000 head or 12 percent larger than in August and about 59,000 head or $3\frac{1}{2}$ percent smaller than the unusually large September slaughter last year. A considerable increase in the number of lambs sold on contract for future delivery in the Western States was reported during September, contract prices ranged around \$8.00 to \$8.50, compared with \$6.50 to \$7.50 reported in August. Prices of good and choice western feeder lambs at Omaha during the first week of October averaged around \$8.45, compared with \$8.20 a month earlier and \$7.10 in early October 1938.

The sharp rise which occurred in lamb prices during the first week of September was mostly lost during the second week of that month. But during the last half of September and in the first week of October, prices of lambs held fairly steady at a level from about \$1.25 to \$1.50 higher than the season's low price reached about mid-August. The average price of good and choice slaughter lambs at Chicago for the week ended October 7 was \$9.55, compared with \$10.20 for the first week in September and \$8.00 in the corresponding week a year earlier.

WOOL

Domestic wool prices at Boston advanced about 32-41 cents a pound, scoured basis, or 12-17 cents a pound, grease basis, in September. Principal factors in the sharp advance which followed the outbreak of the European War were the relatively small supplies of wool on hand in this country, the uncertainty of obtaining supplies from Southern Hemisphere markets in the near future, and the increase in foreign demand for wool as a result of war.

Sales of wool on the Boston market were large in September but declined in the early part of October. The September price increase was not fully maintained in early October but price declines were small and prices remained higher than in any previous period since early 1937. Prices of graded fine staple territory wool were \$1.10-\$1.15 a pound at the high point in September compared with 74 cents in August. In the first week of October such wool was quoted at \$1.10-\$1.12 cents a pound.

Domestic mill consumption of apparel wool in the first 8 months of this year was about 50 percent larger than in those months last year and was about 20 percent larger than the 8-month average for the 10 years 1928-37. The building up of inventories of manufactured goods may have been an important factor in maintaining mill consumption at recent high levels. In view of prospects for further improvement in business conditions domestic mill consumption of wool is likely to continue at a fairly high level during the remainder of 1939.

The increase in mill consumption in 1939 has been accompanied by larger imports. Imports of apparel wool totaled 49 million pounds in the first 8 months of this year compared with 15 million pounds in the same months last year. Because stocks of wool in the United States are now relatively small and mill consumption is expected to continue at a fairly high level, a considerable increase in imports of apparel wool may occur before the 1940 domestic clip becomes available.

Wool production in Australia in 1939-40 is now estimated at 1,005 million pounds, an increase of 2 percent over last year's production. The estimated increase in production, however, is more than offset by a decrease in carry-over from a year earlier. Total Australian supplies for the 1939-40 season will be about 2 percent smaller than in 1938-39 but 1 percent larger than the average for the preceding 5 seasons.

BUTTER

Butter prices showed more than the usual seasonal increase in early September, and during the last two weeks have continued at the peak level reached in September. This rise was due to the general rise in commodity prices with the outbreak of the war in Europe and to a rather sharp decline in production, due to widespread drought in many important producing sections. The improvement in business and consumer incomes, together with the reduction in stocks, have improved the outlook for butter prices.

Production of creamery butter in August was 1 percent less than a year earlier but except for 1938 about as high as ever reported for the month. Due to the widespread drought in the Middle West, there was probably a more marked decline in production during September. With ample supplies of feed available it is expected that production of butter during the coming winter will be relatively high but probably not as large as the peak production for that period in the winter of 1938-39.

Apparent consumption of creamery butter in August was 13 percent higher than a year earlier and by far the highest on record for the month. The distribution of butter for relief accounted for a part of the increase, but the increase in output through regular trade channels was about 7 percent. The retail price of butter in August was about 6 percent less than a year earlier. Apparently consumer expenditures for butter were only slightly higher than a year earlier and, after allowing for seasonal changes, about the same as in the preceding two months. Due primarily to the marked improvement in business and consumer incomes, it is expected that consumer expenditures for butter during the remainder of 1939 will be decidedly higher than in the same period in 1938.

Stocks of butter on October 1 of 155,000,000 pounds were decidedly lower than a year ago. Stocks in the hands of the trade are larger, but stocks in the hands of Government agencies on October 1 were only 26,000,000 pounds compared with 102,000,000 pounds a year earlier.

POULTRY AND EGGS

Market receipts of both dressed poultry and eggs are expected to continue larger this fall and winter than last. Storage stocks of eggs are now larger than a year ago and stocks of poultry are expected to be above 1939 levels by January 1, 1940. The effect of these larger supplies on prices during the remainder of this year will be partly offset by the effect of larger consumer incomes. By the spring of 1940 the effect of increased consumer incomes may be relatively greater and more than offset the effect of larger supplies as compared with a year earlier.

In contrast to the usual seasonal decline, the feed-egg ratio based on Chicago prices, rose sharply during August and early September and has

continued considerably above both last year and the 1928-37 average. For the week ending October 7, over 2 dozen more eggs were required to purchase 100 pounds of poultry feed than in the corresponding week a year earlier and almost 1 dozen more than the 10-year average for that week. It is expected that more eggs will be required to purchase 100 pounds of feed during the remainder of 1939 and early 1940 than were required either a year earlier or on the average for the corresponding period of 1928-37.

As a result of the less favorable feed-egg ratio, hatchings during 1940 may be somewhat smaller than the relatively large hatch of 1939.

Production of turkeys this year is the largest on record - 22 percent more than in 1938 and 15 percent above the previous record high year in 1936. The effect of larger consumer incomes on prices will only partly offset the effect of the large increase in production as compared with a year ago. Turkey production in 1940 is expected to be somewhat smaller than in 1939.

POTATOES

Prospects for the late potato crop declined slightly during September and as of October 1 production was indicated to total 284 million bushels or about 3 million less than in 1938. Yields in Maine and New York and the central States as a group, are indicated to be lower than expected earlier in the season but they are higher in Colorado and California. Production in the 8 eastern late States is now indicated to be about the same as last year while it is smaller in the 10 central States but larger in the western group. The commercial intermediate crop totaled only 14.7 million bushels in 1939 or 30 percent less than a year earlier.

This small intermediate crop, which was marketed just ahead of the late crop, together with improved demand conditions over a year earlier has caused potato prices in central markets to average substantially higher this season than a year earlier. The decline in late crop prospects in the East during September caused eastern market prices to advance sharply in recent weeks. In contrast prices in middle western markets declined as crop prospects in the West improved in the heavy shipping States.

TRUCK CROPS

Market prices of truck crops advanced seasonally in September and in early October were generally higher than a year earlier. As compared with a month ago prices of lima beans, broccoli, cantaloups, cucumbers, eggplant, green peas, and tomatoes were sharply higher while prices of Big Boston type lettuce, and spinach were somewhat lower. The declines in the latter 2 items were due largely to seasonal factors. The seasonal trend of truck crop prices is usually sharply upward from September to mid-winter as total market supplies usually decrease in this period.

Late crops of onions and snap beans are unusually large this fall and it is probable that the storage supplies of the former will be plentiful

for the winter markets. The Danish type cabbage crop, however, is relatively small and indicates lighter than usual storage stock. Early reports indicate an increase of 6 percent in plantings of all fall truck crops in the southern States this season which with average yields should produce ample supplies for winter markets.

FRUITS

Market prices of apples and pears declined seasonally during September and apple prices averaged somewhat lower during the first week of October than a year earlier. Prices of California grapes were also generally slightly lower than a year ago. In contrast, citrus prices advanced sharply during September and averaged substantially higher in early October than in the corresponding week of 1938. Shipments of new crop citrus from the South are starting late this season.

There were few changes in fruit crop prospects during September. The commercial apple estimate declined slightly as did the prospect for California grapes. Total tonnage of deciduous fruits for 1939 is indicated to be about 15 percent larger than in 1938. Citrus crops, however, are expected to be somewhat smaller than last year but considerably above average. Winter orange production is indicated to total 40.4 million boxes or 5 percent less than in 1938 while grapefruit production totals 36.6 million boxes or 16 percent less than in the previous season.

Business statistics relating to the demand for farm products, specified periods

Year and month	: National income : 1/	: Non-agricultural income : 2/	: Industrial production : 3/	: Building contracts awarded : 3/	: Income of industry : 5/	: Foreign industrial production : 6/	: All commodity prices : 7/	: Retail food prices : 8/	: Prices received by farmers : 9/	: Prices paid by farmers : 10/	: Ratio of prices received to prices paid
Base period	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1910-14	1913	1910-14	1910-14	1910-14
1929	100	108	119	117	107	136	139	166	146	153	95
1930	93	101	96	92	88	124	126	158	126	145	87
1931	80	88	81	63	67	111	107	130	87	124	70
1932	63	69	64	28	46	97	95	108	65	107	61
1933	58	64	76	25	49	107	96	105	70	109	64
1934	66	73	79	32	61	116	109	117	90	123	73
1935	71	78	90	37	69	124	117	127	108	125	86
1936	82	90	105	55	80	132	118	130	114	124	92
1937	88	96	110	59	94	144	126	135	121	130	93
1938	82	90	86	64	72	141	115	125	95	122	78
1938 -											
Apr.	81	90	77	52	69	140	115	126	94	125	75
May	80	88	76	51	68	141	114	125	92	125	74
June	81	87	77	54	67	141	114	127	92	124	74
July	81	88	83	59	68	135	115	127	95	123	77
Aug.	82	89	88	66	72	134	114	124	92	122	75
Sept.	82	90	91	78	75	141	114	125	95	121	79
Oct.	82	91	96	82	76	143	113	124	95	121	79
Nov.	83	92	103	96	78	147	113	123	94	121	78
Dec.	84	95	104	96	80	144	112	125	96	120	80
1939 -											
Jan.	84	92	101	86	80	146	112	123	94	120	78
Feb.	84	92	99	73	78	148	112	122	92	120	77
Mar.	84	92	98	69	78	150	112	121	91	120	76
Apr.	83	90	92	67	74	152	111	121	89	120	74
May	83	91	92	63	75	154	111	121	90	120	75
June	84	93	98	63	80	157	110	121	89	120	74
July 11/	84	93	101	67	80		110	121	89	120	74
Aug. 11/	85	94	102	73	82		109	119	88	119	74
Sept. 11/			110				116		98	122	80

Continued-

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (Monthly adjusted for seasonal variation.) Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1939.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.

